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SUBJECT: COLOMBIA ATPDEA-RELATED ACTIVITY 2005

¶1. Below is Post's response to the U.S. International Trade Commission's request for information regarding Andean Trade Preferences and Drug Eradication Act (ATPDEA) - related investment in Colombia during 2005.

¶2. Over the past decade, ATPDEA has provided significant economic benefits to Colombia. It is estimated that over 123,000 jobs were created by ATPA, and ATPDEA is expected to add another 150,000 new jobs by December 2006. The expansion of ATPDEA made possible the duty-free entry of approximately 6,500 product categories including clothing (textiles), shoes (without SGP), crude oil and petroleum by-products, watches, leather products, and packed tuna.

¶3. In 2005, total Colombian exports to the U.S. market grew to a record USD 8.4 billion. Exports have grown by more than USD 3.3 billion since the ATPDEA went into effect in ¶2002. During this same period, U.S. exports to Colombia increased by more than USD 2 billion to reach USD 5 billion, as reported by the U.S. Department of Commerce.

¶4. In 2005, 40 percent of Colombian exports were shipped to the U.S. Of these exports, approximately USD 4.7 billion benefited from ATPDEA preferences. Colombian exports to the U.S. increased 22 percent in 2005 over 2004. In fact, Colombian exporters are estimated to save between USD 100 million and USD 120 million annually because of ATPDEA.

¶5. Petroleum and its derivatives are the most important ATPDEA beneficiary, followed by the flower sector, apparel and textiles (including leather products), gold products, and fresh fruit. These sectors account for more than 90 percent of Colombian ATPDEA exports to the U.S. by value. Petroleum and its derivatives currently account for 70 percent of Colombian ATPDEA exports.

Effect of ATPDEA on Drug-Crop Eradication

¶6. ATPDEA benefits provide an important complement to existing anti-narcotics programs. Colombia is currently the third largest recipient of U.S. assistance in the world. Sectors that receive ATPDEA benefits provide an important opportunity for legal employment for those who leave illegal coca production. The flower sector in particular has generated over 94,000 direct hires and approximately 80,000 indirect hires, mostly in the areas immediately surrounding Colombia's two largest cities, Bogota and Medellin.

¶7. Access to the U.S. market for ATPDEA exports is also important for supporting alternative crop prices at economically viable levels. ATPDEA afforded preferences booster efforts by the Colombian private sector to press their Government on counter-narcotics reforms. The USG has enjoyed strong support from the private sector for important

U.S. counter-narcotics goals, such as the passage of legislation on asset forfeitures and money laundering, increased penalties for narcotics offenses, increased eradication efforts and the passage of a strong extradition law. The Colombian government is committed to seeing narcotics traffickers jailed for their crimes, and Colombian law enforcement agencies are cooperation with the U.S. Department of Justice. Since the start of the Uribe administration in 2002, Colombia has extradited more than 340 criminals to the United States.

¶8. The USG, through USAID, has provided approximately USD 586.6 million in aid between FY00 and FY05, and is expected to provide 126.6 million in 2006. USG funding supports alternative development programs, democracy building, and internally displaced persons assistance. The programs target the development of income generation options in areas affected by illicit crops and the strengthening of institutional linkages between the state and its citizens.

¶9. According to the Colombian National Police (CNP), the country saw a 21 percent reduction in terrorist events. Kidnappings dropped by more than 51 percent, and homicides by 13. Other major crimes were also substantially reduced. According to International Narcotics Control Strategy Report, the eradication program helped to bring a 15 percent reduction in cultivation in 2003 and in 2004 resulted in a reduction in mature crops of 6 percent. In 2005, coca cultivation declined by 8 percent, from 114,100 to 105,400 hectares. At the same time, an additional 144,000 hectares of coca were identified when the search area was expanded 81 percent more than the area searched in 2004. In 2005, the U.S.-supported Anti-Narcotics Police Directorate sprayed a record 138,775 hectares of coca and 1,624 hectares of opium poppies. Manual eradication accounted for the destruction of an additional 31,285 hectares of coca and 497 hectares of

opium poppy. As of June 7, 2006 the Colombian authorities sprayed 75,091 hectares of coca and 231 hectares of poppy and manually eradicated 9,026 hectares of coca and 62 hectares of poppy. Interdiction efforts have also increased dramatically, with 223 metric tons of cocaine and coca base along with 718 kilos of heroin seized in 2005. To date, 41 metric tons of cocaine and coca base along with 177 kilos of heroine have been intercepted.

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Performance of Investment in 2004

¶10. According to National Statistics Directorate, total investment in the Colombian economy increased by 28.96 percent in 2005. This increase is due to the quickening pace of the Colombian economy, increased physical security, an improved legal framework, and higher prices of Colombia's export commodities. The sector that registered the greatest growth in new investments was machinery and equipment (35.98 percent), which is a change from last year where construction grew the most. Other sectors that received significant investment dollars were construction (26.99 percent), and transportation equipment (23.20 percent), both of which are not ATPDEA beneficiaries. Hydrocarbons received 12.1 percent of FDI and mining received 19.4 percent. Both sectors derive preferential treatment from ATPDEA.

Information on Specific ATPDEA-Related Investment Projects

¶11. A 2005 poll of manufacturers by the Colombia's National Industrial Association (ANDI), showed that nearly 66 percent of companies polled were developing strategies to improve their market position to take advantage of ATPDEA and the US-Colombia FTA. Colombian textile manufacturers sell 70 percent of their exports to the U.S. Several textile companies have made significant capital investments in Colombia to take advantage of ATPDEA preferences. Enka de

Colombia invested USD 24.2 million during the last three years and will invest another USD 10.2 million in heavy machines and working capital in 2006. According to Enka's president, Alvaro Hincapie, the company is seeking to increase its market share in the US and expects to continue growing. Last year Enka exported USD 51 million worth of products world-wide, a 34 % increase over 2004 exports. Another Colombian company, Coltejer expects to invest USD 5 million this year in export-expansion machinery. Coltejer made USD 32 million worth of investments over the last three years to increase their use of ATPDEA benefits.

¶12. The following 10 companies were selected from a list of more than 4,000 exporters with sales in the U.S. during ¶2005. These companies constitute a sample of some of the largest APTDEA beneficiaries in the most critical industry sectors.

¶A. Company name: Coltejer
¶B. Investment: over last three years USD 32 million.
¶C. 2006 Projected investment: USD 5 million.
¶D. New or expansion investment? Expansion.
¶E. Product Exported to the U.S.: Textiles.
¶F. Estimated Exports to the U.S.: n/a
G Would investment occur without ATPDEA? Yes

¶A. Company name: Enka de Colombia
¶B. Investment: over last three years USD 24.2 million.
¶C. 2006 Projected investment: USD 10.2 million.
¶D. New or expansion investment? Expansion and working capital.
¶E. Product Exported to the U.S.: Textiles.
¶F. Estimated Exports to the U.S.: n/a
G Would investment occur without ATPDEA? No

¶A. Company name: Protela
¶B. Investment: over last three years USD 11 million.
¶C. 2006 Projected investment: USD 3.5 million.
¶D. New or expansion investment? Expansion.
¶E. Product Exported to the U.S.: Textiles.
¶F. Estimated Exports to the U.S.: n/a
¶G. Would investment occur without ATPDEA? Yes

¶A. Company name: Ecopetrol
¶B. Investment: 2005 USD 96 million.
¶C. 2006 Projected investment: USD 300 million.
¶D. New or expansion investment? Expansion.
¶E. Product Exported to the U.S.: Oil and derivatives.
¶F. Estimated Exports to the U.S.: USD 1.7 billion
¶G. Would investment occur without ATPDEA? Yes

¶A. Company name: C.I. Flor Nativa S.A.

¶B. Investment: 2005 USD 0.0
¶C. 2006 Projected investment: USD 22.000.
¶D. New or expansion investment? Expansion.
¶E. Product Exported to the U.S.: Flowers.
¶F. Estimated Exports to the U.S.: USD 400.000
¶G. Would investment occur without ATPDEA? Does not know

¶A. Company name: Flores Santa Fe Ltda.
¶B. Investment: 2005 USD 225.993
¶C. 2006 Projected investment: USD 225.392.
¶D. New or expansion investment? Expansion.
¶E. Product Exported to the U.S.: Flowers.
¶F. Estimated Exports to the U.S.: USD 388.394
¶G. Would investment occur without ATPDEA? NO

¶A. Company name: DHL Express Latin America.
¶B. Investment: 2005 USD n/a
¶C. 2006 Projected investment: USD 100 million in Latin America.
¶D. New or expansion investment? Expansion.
¶E. Product Exported to the U.S.: Courier Services.
¶F. Estimated Exports to the U.S.: USD 38 million
¶G. Would investment occur without ATPDEA? YES

¶A. Company name: Comestibles Rica Fruta Ltda .
¶B. Investment: 2005 USD 430.000
¶C. 2006 Projected investment: USD 0.0 million
¶D. New or expansion investment? Expansion in 2005.
¶E. Product Exported to the U.S.: Bocadillo guava.
¶F. Estimated Exports to the U.S.: USD 80.000
¶G. Would investment occur without ATPDEA? NO

¶A. Company name: CI Banacol SA.
¶B. Investment: 2005 USD 4.2 million
¶C. 2006 Projected investment: USD 4.5 million
¶D. New or expansion investment? Expansion
¶E. Product Exported to the U.S.: Bananas
¶F. Estimated Exports to the U.S.: USD 46.9 million
¶G. Would investment occur without ATPDEA? Not in the same proportion and growth

¶A. Company name: Occidental de Colombia Inc.
¶B. 2005 Investment: USD 42 million.
¶C. 2006 Projected Investment: UDS 39 million
¶C. New or expansion investment? Expansion.
¶D. Located in Free-Trade Zone? No
¶E. Product Exported to the U.S.: Oil
¶F. Estimated Exports to the U.S.: USD 374 million
¶G. Would investment occur without ATPDEA? Yes

Foreign Direct Investment Activity in 2005

¶13. The Colombian Central Bank reported in at the beginning of 2006 that foreign direct investment (FDI) reached USD 10.192 billion for the year. This represents an increase of 227% more than 2004; a year in which more than USD 3 billion entered via FDI. The Ministry of Commerce also announced that 2005's FDI equaled 8.3 percent of GDP. Driving this increase in investor confidence is greater perceived security and new business-friendly legislation. According to the survey by the United Nations Conference on Trade and Development (UNCTAD) in 2005, Colombia ranked fifth in their list of most favored investment opportunities in Latin America, a list that included Brazil, Mexico, Argentina, and Chile. During the same period, the Doing Business 2005 Report by the World Bank, classified Colombia as 2nd amQ 145 economies evaluated for their business climate.

¶14. In 2005, the U.S. ranked second in FDI accounting for 14 percent of all investment dollars. In the cash-issuance category, the United States invested 1.3 billion USD which was a 60 percent increase over 2004. The U.S. was second to the U.K. that provided 27 percent of investment dollars and was closely followed by Mexico, Spain and Holland with 10 percent, 6 percent, and 3 percent respectively.

Effect of FTA Negotiations on ATPDEA-Related Investment

¶15. ATPDEA expires at the end of 2006. The American Chamber of Commerce in Bogota reports member companies have lost orders as a result of cost uncertainty related to the expiration of ATPDEA benefits. A Free Trade Agreement (FTA) between the U.S. and Colombia has been negotiated, but it is unlikely the U.S. Congress will consider passage of the FTA until after expiration of the ATPDEA. Barring a stopgap measure, Colombia will likely see a decline in ATPDEA-related trade until the FTA enters into force.